

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 SIL-01 DODE-00 PM-04 H-02 L-03 NSC-05 PA-01

PRS-01 SP-02 SS-15 USIA-06 /071 W

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R 101605Z MAR 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC 6257

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION EC BRUSSELS

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E.O. 11652: DECONTROL AFTER ONE YEAR

TAGS: ELAB, EGEN, IT, PINT

SUBJECT: CONTROVERSIAL AGREEMENTS IN CHEMICAL AND METALS SECTORS

REF: ROME 510; ROME 3531

1. SUMMARY: GOVERNMENT NEGOTIATORS HAVE REACHED FULL AGREEMENT FOR THE RENEWAL OF CONTRACTS IN THE CHEMICAL INDUSTRY AND PARTIAL AGREEMENT IN THE METAL TRADES. BOTH AGREEMENTS PROVIDE FOR PRIOR NOTICE TO THE UNIONS OF ALL INVESTMENT DECISIONS. THE CHEMICAL PACT CALLS FOR ACROSS-THE-BOARD INCREASES OF ABOUT \$35 PER MONTH AND FOR THE POSTPONED APPLICATION OF INCREASES IN FRINGE BENEFITS. MINISTER OF THE TREASURY COLOMBO HAS DENOUNCED THE CHEMICAL AGREEMENT AS INFLATIONARY, WHILE PRIVATE INDUSTRY MANAGEMENT OFFICIALS OBJECT STRONGLY TO THE PROVISIONS ON INVESTMENTS. END SUMMARY.

2. INTERSIND-THE GOVERNMENT'S MANAGEMENT ORGANIZATION WHICH CONDUCTS LABOR RELATIONS WITH THE UNIONS ON BEHALF OF STATE AND PARASTATAL FIRMS--HAS REACHED AGREEMENT WITH THE CHEMICAL UNIONS FOR RENEWAL OF THEIR TRIENNIAL CONTRACT COVERING 50,000 WORKERS. THIS IS THE FIRST SUBSTANTIAL BREAKTHROUGH IN THE

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THREE MAJOR CONTRACTS WHICH EXPIRED AT THE END OF 1975: CHEMICALS,

METALS AND CONSTRUCTION.

3. UNDER TERMS OF THE AGREEMENT, A FLAT MONTHLY INCREASE OF 25,000 LIRE (ABOUT \$35) IS GRANTED RETROACTIVE TO JANUARY 1, 1976. INCREASES FOR FRINGE BENEFITS (OVERTIME PAY, SHIFT PAY, ETC.) WILL NOT COME INTO EFFECT UNTIL JULY 1, 1977, THUS IMPLEMENTING THE PRINCIPLE OF THE "STAGGERING" (SCAGLIONAMENTO) OF WAGE INCREASES WHICH THE GOVERNMENT HAS STRONGLY BEEN ADVOCATING. THE CONTRACT ALSO PROVIDES FOR AGREEMENT ON THE THORNY SUBJECT OF INVESTMENT. MANAGEMENT AGREES TO GIVE PRIOR NOTICE OF INVESTMENT INTENTIONS TO THE UNIONS AT THE NATIONAL, TERRITORIAL, LOCAL AND FACTORY LEVELS. THE UNIONS ARE THEN ENTITLED TO "COMMENT" ON THE MANAGEMENT PLANS.

4. INTERSIND HAS ALSO REACHED A PARTIAL ACCORD IN ITS METAL TRADES NEGOTIATIONS, AFFECTING 3000,000 WORKERS. AGREEMENT WAS REACHED ON NOTIFICATION TO THE UNIONS OF INVESTMENT INTENTIONS, AS WELL AS ARRANGEMENTS FOR CONSULTATIONS REGARDING JOB MOBILITY AND DISPOSITIONS

TO BE TAKEN IN THE EVENT THAT ECONOMIC CONDITIONS REQUIRE A PLANT TO WORK LESS THAN FULL TIME. THE TWO SIDES WILL MEET AGAIN ON MARCH 11 TO DISCUSS OTHER OUTSTANDING CONTRACT PROVISIONS, NOTABLY INCLUDING WAGES.

5. THE INTERSIND AGREEMENTS HAVE OCCASIONED CONTROVERSY ON TWO LEVELS. MINISTER OF THE TREASURY EMILIO COLOMBO HAS CRITICIZED THE CHEMICAL AGREEMENT (WHICH HE RECKONS TO BE AN 8 PER CENT WAGE INCREASE) AS BEING "A GRAVE BLOW TO THE ECONOMY." THE MINISTER STATES THAT INCREASES OF THIS DIMENSION WILL SIMPLY FUEL THE INFLATIONARY FIRES INSTEAD OF ASSISTING IN THE SOLUTION OF THE COUNTRY'S ECONOMIC PROBLEMS. MANAGEMENT OFFICIALS, PARTICULARLY THOSE REPRESENTING SMALL BUSINESSES, HAVE ALSO STRONGLY CRITICIZED

THE INTERSIND AGREEMENTS, BOTH WITH RESPECT TO THE HIGH LEVEL OF WAGE INCREASE GRANTED (CONFINDUSTRIA DIRECTOR GENERAL MATTEI HAS EXPRESSED A DETERMINATION TO HOLD INCREASES TO BELOW 20,000 LIRE PER MONTH) AND BECAUSE OF THE CONCESSIONS GRANTED ON INVESTMENT DECISIONS. MANAGEMENT, PARTICULARLY IN THE METAL TRADES, IS DETERMINED TO RETAIN TOTAL CONTROL OVER INVESTMENT DECISIONS UNLESS THE UNIONS ARE PREPARED TO SHARE RESPONSIBILITY FOR THE LIMITED OFFICIAL USE

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RESULTS OF THOSE DECISIONS. THE UNIONS HAVE CONSISTENTLY REFUSED TO DISCUSS SUCH A PROVISION.

6. COMMENT: THE CHEMICAL INDUSTRY IS ONE WITH A RELATIVELY LOW LABOR COST. IT HAS PRESUMABLY BEEN EASY FOR INTERSIND TO AGREE TO THE 25,000 LIRE FIGURE WHICH, ACCORDING TO OUR LABOR SOURCES, IS HIGHER THAN LABOR WAS EVIDENTLY PREPARED TO ACCEPT. THERE IS A CERTAIN ANOMALOUS QUALITY TO MINISTER COLOMBO'S OBJECTIONS SINCE

INTERSIND IS A GOVERNMENT ORGANIZATION; IT REPORTS TO MINISTER OF GOVERNMENT HOLDINGS BISAGLIA. IT SHOULD BE AN EASY MATTER FOR THE TWO MINISTERS TO CONSULT. WE ARE TOLD, HOWEVER, THAT BISAGLIA WAS NOT INFORMED OF THE GENEROUS TERMS TO WHICH INTERSIND WAS AGREEING. WHATEVER THE TRUTH OF THE MATTER, IT IS NOT A VERY EDIFYING SITUATION TO FIND ONE PART OF THE GOVERNMENT PROCEEDING IN A DIRECTION OPPOSED TO THE EXHORTATIONS OF ANOTHER PART OF THE GOVERNMENT, PARTICULARLY WHEN THE GOVERNMENT IS MADE UP EXCLUSIVELY OF CHRISTIAN DEMOCRATIC MINISTERS. THE NET EFFECT OF ALL THIS IS THAT, WHEREAS THE INTERSIND AGREEMENTS MIGHT ORDINARILY BE EXPECTED TO LEAD TO AN EARLY CONCLUSION OF THE NEGOTIATIONS IN THE PRIVATE SECTOR, THE OBJECTIONS RAISED BY BOTH COLOMBO AND THE EMPLOYERS SUGGEST THAT SOME HARD BARGAINING MAY STILL LIE AHEAD. VOLPE

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## Message Attributes

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